

BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS

Comments In Support of H.R. 5098, a Bill to Renew the Temporary Duty Suspension on Alternating Current Motor Assemblies of an Output Exceeding 74.6 Watts But Not Exceeding 95 Watts Each Equipped With A Capacitor and A Speed Control Mechanism

Lasko Products, Inc. supports the enactment of H.R. 5098, a bill that would renew the temporary suspension of the duty on imports of an alternating current motor assembly used in Lasko's production of certain household "air circulator" fans.

Lasko is a United States manufacturer of portable electric fans for household use. Lasko employs approximately 908 workers at plants located in Pennsylvania, Tennessee, and Texas. The company is currently celebrating its 106th year in business. It is still family owned and operated.

Enactment of H.R. 5098 will significantly enhance Lasko's ability to compete against finished electric fans imported from China and elsewhere, thereby enabling Lasko to avoid cost cutting measures that could lead to the loss of American jobs and investment. The motor component of the assembly described in H.R. 5098 is not manufactured in the United States. Consequently, Lasko must import the assembly in order to continue manufacturing finished "air circulator" fans in the United States.

In that context, import duties on this motor assembly were suspended through December 31, 2009 pursuant to the 2006 MTB. Lasko did not request the duty suspension on this assembly to be renewed under the 2010 MTB. Prior to their suspension in 2006, the duties that Lasko paid on this motor assembly increased its production costs, making it more difficult for the company to compete with low-priced finished fans imported from manufacturers in China and elsewhere. Although Lasko was able to compete briefly against imports from China when the duty suspension expired at the end of 2009, current market conditions make it increasingly difficult for Lasko to meet the Chinese competition. Paying a 4% import duty on a critical production input that is not available from U.S. manufacturers exacerbates this difficulty. Renewing the duty suspension on this motor assembly would improve Lasko's ability to compete against imported electric fans.

Suspending the import duty on this motor assembly will not harm any U.S. industry because no manufacturer in the United States can produce the motor component of this assembly. Nor will it result in an excessive reduction in duty revenue collections -- the annual revenue loss will be less than \$500,000. Suspending the duty on this motor assembly will, however, help to improve Lasko's ability to compete in the U.S. market against low-priced imported "air circulator" fans.

The Subject Motor Assembly

The motor assembly that is the subject of H.R. 5098 comprises a specific type of capacitor-start, single phase alternating current electric motor equipped with a speed

control mechanism. It is used by Lasko to manufacture its “air circulator” portable household electric fans.

H.R. 5098 is narrowly drafted to apply only to motor assemblies comprising AC electric motors within a specific and relatively narrow power output range equipped with a capacitor and a speed control mechanism. Motor assemblies meeting this description can only be used in the production of “air circulator” fans for household use.

Imports of this motor assembly are classifiable under subheading 8501.40.40 of the Harmonized Tariff Schedule of the United States. Pursuant to the 2006 MTB, they were classifiable under subheading 9902.85.08. Under that subheading, the motor assembly is described as follows:

AC electric motors of an output exceeding 74.6 Watts but not exceeding 95 Watts, single phase; each equipped with a capacitor and a speed control mechanism.

All small motors classifiable under HTSUS Heading 8501 that do not fit this description would remain dutiable (unless they are separately subject to specific duty suspensions or reductions).

Why a Temporary Duty Reduction is Necessary

Despite increased foreign competition, particularly from China, Lasko has made a concerted effort to continue manufacturing its products in the United States. As part of this effort, Lasko has made capital investments in its manufacturing facilities exceeding \$6.4 million over the past three years. Lasko uses over 65 injection molding machines, three body manufacturing cells, ten assembly lines, and five automatic palletizing lines to produce its various electric fan products in the United States. Its U.S. factories run five (and sometimes seven) days per week, 24 hours per day.

Lasko attempts to source as many manufacturing components as possible in the United States. However, it is necessary for Lasko to import the subject motor assembly, as no U.S. manufacturer produces the motor component. In addition, Lasko has experienced increased production costs from the rising prices of component materials such as plastic, aluminum, and copper. Suspension of import duties on the subject motor assembly would help offset cost increases and would help Lasko to avoid such cost-cutting measures as outsourcing fan production.

There is only one U.S. manufacturer of “air circulator” fans other than Lasko. The majority of Lasko’s competition in the U.S. market comes from China in the form of finished fans. These imports undercut the prices at which Lasko can sell its finished fans in the United States, making competition difficult. A reduction of the duty on the subject motor assemblies will enable Lasko to compete more effectively against imported fans, preserve its investment in U.S. manufacturing, and save American jobs.

H.R. 5098 Is Non-Controversial

Reducing import duties on the motor assembly described in H.R. 5098 will not injure any U.S. industry. As noted above, there are no U.S. manufacturers of the motor component of the assembly described in the bill, and the motor assembly cannot be sourced from a U.S. manufacturer. Thus, the narrow scope of H.R. 5098 ensures that its enactment will not harm members of any domestic industry. Instead, enactment of H.R. 5098 will have the sole effect of making Lasko more competitive against imports of finished “air circulator” fans, thereby preserving American jobs.

H.R. 5098 Will Not Result In A Revenue Loss of More Than \$500,000

The annual revenue lost through a temporary suspension of duty if H.R. 5098 is enacted will be less than \$500,000. Lasko does not believe that the motor assembly described in H.R. 5098 is imported for any application other than the manufacture of Lasko’s “air circulator” fan. Consequently, the Committee can be confident in Lasko’s projection that the revenue lost through temporary suspension of duty would be less than \$500,000.

For all of the foregoing reasons, Lasko supports H.R. 5098 and urges its favorable consideration.

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